

Avista Corp.
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Spokane, Washington 99220-0500
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2015 MAY 13 AM 9:16
IDAHO PUBLIC
UTILITIES COMMISSION



May 12, 2015

Jean D. Jewell, Secretary
Idaho Public Utilities Commission
P O Box 83720
Boise, ID 83720-0074

AVU-E-15-05

RE: In The Matter of The Joint Petition of Avista Corporation and Clearwater Paper Corporation
For Approval of Amendment No. 1 to the Electric Service Agreement

Dear Ms. Jewell:

Enclosed for filing with the Commission is the original and seven (7) copies of Avista Corporation and Clearwater Paper Corporation's Joint Petition and Request for Modified Procedure. Avista has also included a CD with the files for your convenience.

Should you have any questions regarding this filing, please do not hesitate to call me at (509) 495-8620. Thank you in advance for your assistance.

Sincerely,

A handwritten signature in black ink that reads "Patrick Ehrbar". The signature is written in a cursive, flowing style.

Patrick Ehrbar
Manager, Rates & Tariffs

Enclosures

cc: Certificate of Service

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this 12th day of May, 2015, served the foregoing Petition upon the following parties, by mailing a copy thereof, properly addressed with postage prepaid to:

Jean D Jewell, Secretary
Idaho Public Utilities Commission
Statehouse
Boise, ID 83720-5983
Jean.jewell@puc.idaho.gov

Peter J. Richardson
Richardson & O'Leary PLLC
515 N. 27th Street
PO Box 7218
Boise, ID 83702
peter@richardsonandoleary.com

Marv Lewallen
Clearwater Paper
601 W. Riverside Avenue
Suite 1100
Spokane, WA 99201
marv.lewallen@clearwaterpaper.com

A handwritten signature in black ink, appearing to read 'Patrick Ehrbar', with a long horizontal line extending to the right.

Patrick Ehrbar
Manager, Rates & Tariffs

David J. Meyer, Esq.
Vice President and Chief Counsel for
Regulatory and Governmental Affairs
Avista Corporation
1411 E. Mission Avenue
P.O. Box 3727
Spokane, Washington 99220
Phone: (509) 495-4316

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Attorney for Avista Corporation

Michael S. Gadd
Senior Vice President & General Counsel
Clearwater Paper Corporation
601 W. Riverside Ave., Suite 1100
Spokane, Washington 99201
Phone: (509) 344.5900

Peter Richardson
Richardson Adams, PLLC
505 N. 27th Street
P. O. Box 7218
Boise, Idaho 83702
Phone: (208) 938-7901

Attorneys for Clearwater Paper Corporation

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE JOINT
PETITION OF AVISTA CORPORATION
AND CLEARWATER PAPER
CORPORATION FOR APPROVAL OF
AMENDMENT NO. 1 TO THE ELECTRIC
SERVICE AGREEMENT

CASE No. AVU-E-15-05

JOINT PETITION AND
REQUEST FOR MODIFIED
PROCEDURE

Avista Corporation ("Avista") and Clearwater Paper Corporation ("Clearwater") (Avista and Clearwater are referred to collectively as the "Parties") hereby petition the Idaho Public Utilities Commission ("Commission" or "IPUC") for an order approving Amendment No. 1 to the Electric Service Agreement between Avista Corporation and Clearwater Paper Corporation. The Electric Service Agreement ("Agreement") was approved by the Commission on June 28, 2013 in Case No. AVU-E-13-02 (Order No. 32841). Amendment No. 1 is dated May 4, 2015 and is attached as

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Exhibit 1. Petitioners request that this Petition be processed under Modified Procedure (IDAPA 31.01.01.201 through .204).

In support of this Petition, the Parties state as follows:

1. Avista is a corporation created and organized under the laws of the State of Washington with its principal office in Spokane, Washington. Avista is an investor-owned utility principally engaged in the business of providing electric and natural gas service in the states of Idaho and Washington, as well as natural gas service in the state of Oregon.

2. Clearwater is a corporation that, among other things, operates a paper manufacturing facility located in Nez Perce County, Idaho (hereinafter referred to as the "Facility").

3. Clearwater owns and operates a generation system at the Facility that is capable of generating approximately 132.2 megawatts of energy (the "Generation"). These generators are Qualifying Facilities ("QF") pursuant to the Public Utility Regulatory Policies Act of 1978 and 18 C.F.R. Part 292.

CURRENT AGREEMENT BETWEEN CLEARWATER AND AVISTA

4. The current Agreement, with a five-year term beginning July 1, 2013 and ending on June 30, 2018, was approved by the Commission in Order No. 32841 in Case No. AVU-E-13-02. The Agreement provides that Clearwater's Generation shall be used to serve its load at the Facility, and that all of the electric power requirements at the Facility that exceed the electric power generated by Clearwater's Generation shall be purchased and received from Avista. Avista serves Clearwater's additional power requirements under Avista's "Extra Large General Service To Clearwater Paper's Facility" Schedule 25P rates, including all applicable rate adjustments.

AMENDMENT NO. 1 TO THE AGREEMENT

5. The Parties have agreed upon two modifications to the Agreement related to Incremental Energy and the Term of Electric Service Agreement, subject to the approval of the Commission. The Parties are requesting an effective date of July 1, 2015. Detailed below are the agreed-upon changes to the Agreement, as set forth in Amendment No. 1:

a. Incremental Energy. From time to time Avista desires to have the option to purchase incremental, excess energy generated by Clearwater's generation. While Clearwater uses its own generation to meet some of its energy needs, it has additional generation capacity that generally is not economical given current energy rates and wholesale market conditions (e.g., it is "out of the money"). However, in certain time periods wholesale energy prices can increase to a level that would make Clearwater's additional capacity economic. At the same time, Avista may require additional generation in order to meet its system load requirements, and in lieu of purchasing energy in a higher price wholesale market, would instead purchase from Clearwater "Incremental Energy" at a mutually agreed upon price. Details relating to how this process would function are described in Section A, 1.2 of Amendment No. 1 to the Agreement. This provision could provide incremental benefit to Clearwater, and, at the same time, provide Avista with a lower cost energy resource, as compared to the then-current market conditions. This would provide incremental benefits to our customers.

b. Term of Electric Service Agreement. The Parties have agreed to extend the term of the existing Electric Service Agreement by three years, through June 30, 2021. While the existing Agreement continues on a year-to-year basis after the initial term, extending the

Agreement for an additional three years provides increased confidence in the planning for future operations by Clearwater, and the loads to be served by Avista (as well as the cost to serve the load).

WHEREFORE, Avista and Clearwater respectfully request that the Commission issue an order approving Amendment No. 1 to the Agreement, and request that this Joint Petition be processed under the rules providing for Modified Procedure so that it can be effective July 1, 2015.

DATED this 4th day of May 2015.

Clearwater Paper Corporation

Avista Corporation

Signature: Terry Borch
Name: Terry Borch
Date: 5/11/15

Signature: [Signature]
Name: David Meyer
Date: May 4, 2015

1B

**Amendment No. 1 to the Electric Service Agreement
Between
Avista Corporation
and
Clearwater Paper Corporation**

This Amendment No. 1 ("Amendment"), dated May 4, 2015, is entered into by and between Avista Corporation ("Avista") and Clearwater Paper Corporation ("Clearwater" or "Customer").

RECITALS

WHEREAS, the Parties entered into an Electric Service Agreement dated April 11, 2013 (Avista Contract No. M-16950) under which Clearwater uses its Generation to serve its own load and purchases additional electric power from Avista pursuant to the Electric Service Agreement and Schedule 25P;

WHEREAS, the Parties desire to amend the Electric Service Agreement to facilitate Avista's ability to request and purchase, and Clearwater's ability to sell Incremental Energy (as defined below) upon mutually agreeable terms; and

WHEREAS, the Clearwater has requested, and Avista has agreed, to extend the term of the Electric Service Agreement for an additional three years.

NOW THEREFORE, in consideration of the mutual agreements set forth herein, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

AGREEMENT TO AMEND

A. Incremental Energy. To facilitate Avista's ability to buy, and Clearwater's ability to sell Incremental Energy from its Generation, Section 1 of the Electric Service Agreement is amended and replaced in its entirety with the following:

1. Sale and Delivery of Electric Power and Energy.

- 1.1 Generation to Serve Clearwater Load. Except for the provision of Incremental Energy pursuant to Section 1.2, Customer shall use the Generation to serve its load at the Facility. To the extent that the Generation generates electric power in excess of the electric power requirements of the Facility ("Excess Energy"), Customer shall be credited for the excess kWhs generated during the billing period in a manner consistent with Paragraphs 4(B)(ii) and 5 of Schedule 63 of Avista's Idaho Tariff; *provided, however*, that any Excess Energy that is generated by the Generation at Avista's request pursuant to Section 1.2 below shall be treated as "Incremental Energy" in accordance with Section 1.2.

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- 1.2 Incremental Energy. Any Excess Energy generated by the Generation pursuant to Avista's request shall be "Incremental Energy" under this Agreement. To initiate an Incremental Energy purchase from Clearwater for any hour(s) pursuant to this Agreement, the Avista Real Time Scheduler will call Clearwater and request a purchase of Incremental Energy and a start and stop time. If Avista agrees to buy and Clearwater agrees to generate and sell Incremental Energy, the Avista Real Time Scheduler and the Clearwater Turbine operator will agree on a start value for the Clearwater Incremental Energy—e.g., if the Generation is generating 50MW of electric power at the time Avista requests Incremental Energy, then all additional energy generated above 50MW will be Incremental Energy. Avista will purchase, and Clearwater will generate and sell, Incremental Energy at a mutually agreed upon price. The Avista Real Time Scheduler will confirm the start time, stop time, start value, total Incremental Energy generated in each hour, and the mutually agreed upon price in writing, which may be accomplished via electronic mail or other electronic means on or before the close of business on the next business day. All verbal communications between Clearwater and Avista for purposes of this Section 1.2 shall be on a recorded telephone line and directed to the following:

To Avista:	To Clearwater:
Real-Time Scheduler Phone: (509) 495-8534	Shift Supervisor Phone: (208) 799-1258 (land) or (208) 791-4368 (cell)

- 1.3 Sales to Third Parties. If, during the Term of this Agreement, Customer desires to sell the output of the Generation to any third party(ies), Customer shall terminate this Agreement by providing Avista written notice of termination at least 90 days prior to such termination. The sale to the third party shall not commence until the date on which this Agreement is terminated. In the event that Customer desires to sell the output of the Generation to any third party(ies), Customer shall be responsible for making all necessary arrangements to facilitate the sale of the output of the Generation to such third party(ies).
- 1.4 Customer's Purchase of Electric Power. Except for the electric power generated by Customer's Generation that is used to serve Customer's electric power requirements at the Facility, Customer shall purchase and receive from Avista all of the electric power requirements at the Facility in accordance with this Agreement.

B. Term of Electric Service Agreement. To extend the term of the Electric Service Agreement for three years, Section 2 of the Electric Service Agreement is amended and replaced in its entirety with the following:

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2. **Term of Agreement.** This Agreement shall become effective on July 1, 2013 ("Effective Date"), subject to approval by the Idaho Public Utilities Commission ("Commission"), and shall remain in effect for a term of eight years (through and including June 30, 2021), unless terminated earlier by Customer for the limited purpose specified in Section 1. Avista shall file this Agreement with the Commission for approval promptly after the Execution Date and shall thereafter seek Commission approval of this Agreement. After the initial term, this Agreement shall continue in effect from year to year unless either Party elects at any time to terminate this Agreement by giving 90 days' prior written notice to the other Party.

C. Effective Date of Amendment. This Amendment shall become effective on July 1, 2015, subject to approval by the Idaho Public Utilities Commission. Avista shall file this Amendment with the Commission for approval promptly after this Amendment is executed by both Parties and shall thereafter seek Commission approval of this Amendment.

D. Miscellaneous. Except as expressly amended by the provisions set forth in this Amendment, all of the terms and conditions of the Electric Service Agreement shall remain in full force and effect following execution of this Amendment and each Party confirms, ratifies, and approves the Electric Service Agreement as amended by this Amendment. All capitalized terms used herein and not otherwise defined shall have the respective meanings given to such terms in the Electric Service Agreement. This Amendment may be executed in two or more counterparts, each of which shall be deemed as an original and together shall constitute one and the same document.

IN WITNESS WHEREOF, each Party has caused this Amendment to be executed by their authorized representative on the date(s) set forth below.

Avista Corporation

[Signature]

(Signature)

Dennis Vermillion

(Printed Name)

Senior Vice President

(Title)

5/4/15

(Date Signed)

Clearwater Paper Corporation

[Signature]

(Signature)

Terry Borden

(Printed Name)

Vice President Purchasing

(Title)

5/11/15

(Date Signed)

[Handwritten initials]